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The CDU Adopts a Neoliberal Party Program (February 23, 1994)

In response to changes in elite opinion, the Christian Democratic Union (CDU) proposed a new party program during its Hamburg Congress. The program embraced neoliberal ideas, shifting the rhetorical emphasis away from the social market economy and solidarity to competitiveness.

Basic Program of the German CDU: “Freedom in Responsibility”

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CHAPTER III

Towards an Ecological and Social Market Economy

1. Principles of the Ecological and Social Market Economy

67. The ecological and social market economy is an economic and political program for everyone. Its intellectual foundations lie in the concept of freedom with responsibility, which itself is a fundament of the Christian understanding of humanity. Thus, it contrasts both with the socialist idea of a planned economy and the liberal concept of an economic system without any constraints. We support the idea of an ecological and social market economy because it can realize our basic values of freedom, solidarity, and justice better than any other economic and social order. It is based on achievement and social justice, on competition and solidarity, and on personal responsibility and social security. It combines the individual drive to perform and achieve with the principle of fairness and cooperation in society, and the ecological principles it contains ensure the preservation of God's creation.

We put our trust in people's ability to develop in freedom and responsibility. We know that humankind is capable of misusing its capabilities and of operating without consideration for social and ecological concerns, and that is why we believe the state has to establish a framework that strengthens the forces of self-regulation within the economic system and obliges all those concerned to take social and ecological requirements into account. Here, the principles of competition and the principles of the social and ecological order are interrelated and, indeed, mutually dependent. We want to develop the ecological and social market economy in a way

that strengthens personal initiative, involves more and more people in social and economic progress, and affords effective protection to the environment.

Competition and the Market

68. The market and competition are central elements in our approach to the economy, and they allow for freedom through the decentralization of power. The market is the economic equivalent of a free democracy. Competition encourages individuals to perform and achieve and, in this way, also serves the system as a whole. The market and competition make it possible to supply people with goods and services efficiently and at a low cost, to ensure that production is geared to the wishes of consumers, to encourage innovation, and to oblige companies to participate in ongoing rationalization. More state and less market, on the other hand, makes those capable of performing less prepared to do so, and therefore leads to less prosperity and less freedom for all. However, the market alone cannot create social justice. The performance-based justice of the market is not the same as social justice. That is why an ecological and social market economy combines a system of markets and a system of social provisions in accordance with the principle: as much market as possible (in order to promote individual initiative, the desire to perform and achieve, and the willingness to take responsibility for oneself) and as much state as necessary (in order to guarantee competition and to preserve the social and ecological elements of the system).

The concept of socially responsible private property is part and parcel of any free, social market system. Private ownership of the means of production is necessary if scarce goods are to be used economically and carefully, and if the economy is to perform at its most efficient. Freedom of contract, freedom of trade, freedom of establishment, and freedom to choose a profession are just as important for free economic activity as the opportunity to earn profits and the risk of incurring losses.

The Social Order

69. The economic system and the social order are inseparably linked, with each delimiting and complementing the other. Any economic policy that lacks social justice endangers social peace and at the same time leads to economic losses and social instability. The social system we advocate is one that combines the principles of humanity and economic viability and creates justice where performance and distribution are concerned. It aims to strengthen individual responsibility and encourage private initiative and active solidarity.

Our policy on the social system is based on the principles of solidarity and subsidiarity. We want the community to protect the individual from those risks that he or she cannot bear alone. The concepts of compulsory social insurance and equity in the provision of services are central to the social order we believe in, as are decentralization and the self-regulation of social insurance schemes.

Our social order is based to a large degree on inter-generational solidarity. Given the far-reaching demographic changes that are now occurring, we must be careful not to subject this inter-generational contract to excessive strain. Our understanding of the principles of solidarity and subsidiarity allows for an acceptable level of risk to be shouldered by the individual now that society has reached a certain level of prosperity.

The idea of a social partnership in industry is particularly important for our social order and for the success of our economy. A comparison with many other industrial states shows just how important social peace is for productivity. Social partnership in an ecological and social market economy means above all worker co-determination, self-regulation in social insurance, employee shareholdings in companies, and free collective bargaining.

The right to free collective bargaining is an important component of this country's social peace. The idea of partnership requires well-functioning trade unions and employers' associations. Trade unions and management bear a special responsibility for ensuring full employment, monetary stability and growth, and thus the general prosperity of society. Employee protection measures, worker co-determination, employee shareholdings in companies, social partnership, and equal rights for women and men constitute other basic elements of our social order.

The Ecological Order

70. We Christian Democrats have added an ecological dimension to the social market economy. More so than in the past, we want to use market forces and control mechanisms to ensure that nature and the environment are treated with respect. The objective of an ecological and social market economy is to achieve a synthesis of the economy, social justice, and ecology.

Our responsibility for God's creation must also guide our economic actions. We must make the interdependence of humanity, nature, and the environment the guiding principle of these actions. Our approach to ecological matters is based on prevention and the "polluter pays" principle. In the future, we want everyone who fails to care for the environment, or who damages it, to pay for his or her actions as a producer or a consumer. This can only be guaranteed by product pricing that reflects the actual environmental cost of production. In this way, we hope to signal our determination to preserve the environment and to encourage others to do so as well.

Market incentives and appropriate legislation are the tools for realizing these goals. Both can be used to register the scarcity of natural resources. In accordance with our belief in individual responsibility, we are in favor of fully exploring all options for voluntary cooperation before resorting to state regulations. But we will continue to need ecological legislation that includes prohibitions and recommendations, limits, requirements, and systems of approval if the direct threats to humankind and the environment are to be avoided. In order to harness the potential and the innovatory capabilities of industry for the good of the environment, we aim to make greater use of ecological elements in tax legislation, environmental levies, compensation

schemes, and certification and liability regulations. By using market incentives to reward environmentally sensitive actions and attaching costs to environmental damage, we will be treading the path to ecologically realistic prices and strengthening individual initiative in protecting and preserving the environment.

We Christian Democrats advocate a new concept of prosperity and growth. An important component of prosperity is a healthy environment in which to live. Growth means much more than just an increase in goods and services. Our new understanding of the concept of growth incorporates the careful use of natural resources through the introduction of modern methods of production and the establishment of ecologically realistic prices for processes that damage the environment.

2. Improving Germany's Competitiveness as a Location for Industry

71. We Christian Democrats developed the basic political concept of the social market economy, implemented it against strong resistance, and expanded it during several decades in government. It is now regarded as a model for economic and social systems throughout the world. Germany has managed to achieve an unprecedented level of economic development and has expanded its social security system on the basis of the principles of freedom and democracy. We still hold fast to the goal of equalizing living conditions throughout Germany, creating prosperity for all throughout Germany, and achieving a more equitable distribution of resources between the weaker and stronger members of society.

72. The changes in Germany, Europe, and the rest of the world have brought new economic, technological, and social challenges to Germany in its role as a location for industry. The creation of the European Economic Area, greater economic exchange with the states of Central and Eastern Europe, the internationalization of markets, growing competition from other countries in the quest to attract industrial investment, and, above all, the radically different social and economic conditions that have prevailed since German unification have created a need for us to improve our economic performance and our competitiveness in order to ensure social security and prosperity for future generations.

73. The socialist planned economy inflicted enormous ecological and economic damage on the Eastern part of Germany and left its mark on the people there, too. That is why, in the united Germany, all of the responsible parties in industry, society, and politics are tasked with pushing forward with economic, social, and ecological reconstruction in that part of the country. By building up a modern infrastructure, investing in jobs and innovative products, improving education and training, and strengthening research and development we are creating the basis for a thriving economy. Unification has also brought new opportunities for us all. In our strategies for the future, however, we must take into account the changes in our overall economic capacity. In Western Germany we have to stop merely trying to maintain the levels of growth in prosperity that we enjoyed in the past.

Unification offers us the chance to renew the economic and social order throughout all of Germany and to correct misguided developments in Western Germany. We want to promote individual performance and the willingness to take risks, remove bureaucratic obstacles to progress, deregulate wherever possible, privatize, remove subsidies, and encourage as broad a spectrum of the population as possible to play a role in capital production. We want to use economic incentives to address ecological concerns to a greater extent than ever before. We want to change our social security system in order to take the effects of demographic change into account and to guarantee social justice in the future.

74. As a country with few natural resources and high labor costs, Germany has to depend heavily on the efficiency and innovatory capabilities of its people. We must concentrate our skills on high-quality products and production techniques. The pace of technological progress is becoming ever faster, with ever-shorter product cycles, and innovations therefore need to be introduced at an ever-faster rate. Our competitiveness as a location for industry therefore depends to a large extent on our performance in research and development and on the application of new technologies such as biotechnology, genetic engineering, information technology, and environmental engineering. The future belongs to environmentally friendly products and technologies. Developing our economic system into an ecological and social market economy will enable us not only to expand our leading role in environmental technologies, but will also give us an important edge over our competitors in attracting future industrial investment.

In order to strengthen Germany as a location for industry, we advocate:

- reducing the role of the public sector and lowering taxes and other levies
- improving professional training at all stages, science and research, and the related infrastructure
- promoting leading-edge technologies and environmental protection
- privatization and the reduction of subsidies, deregulation, and the reduction of bureaucratic regulations and requirements, combined with the acceleration of approval procedures
- more flexible working hours and extended operating hours for machinery and the removal of the link between these things
- improving the information and traffic infrastructure
- ensuring social peace and social partnership, in particular

As an export economy, Germany depends on free trade. Protectionism interferes with the dynamic of the economy and stifles innovation. The European Economic Area has created a vast, integrated market within Europe, which must now be opened up to the countries of Central and Eastern Europe. In order to preserve and improve Germany's and Europe's attractiveness as a location for industrial investment, we are in favor of a European Economic and Monetary Union with open markets both internally and externally.

Financial and Taxation Policy

75. The need for reconstruction in Eastern Germany has had a lasting impact on the parameters of taxation policy. In order to accelerate the process of bringing together the two parts of Germany, we presently have a higher level of public borrowing, an increased public sector share of the GNP, a heavier burden of taxation, and higher public spending. When this transitional period is over, it will be important to reduce state borrowing drastically, consolidate all public budgets, reduce the public sector share of the GNP, and, in the medium term, lower the tax burden. Reducing the public sector share and consolidating public-spending budgets must be the criteria for all decisions made by financial policymakers. We can pave the way for reduced public borrowing by redefining the role of the state. We must decide anew what our public-spending priorities are, what the state and the social insurance system can do, what public services can be offered via the market, and what we will have to do without.

There is a need to alter structures, reduce expenditures, and increase efficiency. By deregulating, privatizing, and reducing bureaucracy we wish to achieve a situation whereby public resources are spent more effectively and achieve better value for the money. More so than in the past, we want to finance certain public functions through specific charges in the form of fees or prices and by requiring individuals to pay a share of the costs involved. This will create greater transparency as regards the cost of public services, encourage competition, and lead to better value for the money and the more economical provision of such services.

In order to consolidate public spending it is necessary to reduce subsidies significantly. In the long term, subsidies undermine market forces, distort competition, hinder structural change, and interfere with the smooth operation of the economy. We wish to further reduce financial aid, tax concessions, and other subsidy-type expenditures. All subsidies should, on principle, be of limited duration and designed to be digressive. Subsidy fraud and tax evasion must be combated with the full force of the law.

76. The basic principle of social justice must be adhered to not just for those receiving state provisions—in particular social security—but also where taxation and other levies are concerned. Justice must apply not just to distribution but also to the necessary contributions. Taxes and other levies must not cripple private initiative and the performance of workers and industry alike.

In order to achieve more transparency and greater justice and at the same time reduce the administrative burden, we support the greatest possible integration of the tax system and those social security benefits not directly related to contributions.

In the medium term, we want both to reduce the overall burden of taxation and also to restructure the taxation system. The levels of taxation imposed on the production factors of capital and work are too high. We want low rates of direct taxation but also a broader basis of assessment with fewer tax concessions and exceptions. This will both simplify the system and

also make it more equitable. At the same time, we will have to impose higher levels of taxation on consumption, particularly in the case of energy consumption and activities that have an impact on the environment. By reorienting the taxation system both economically and ecologically we will be making a crucial contribution to the further development of the ecological and social market economy. This is also in line with the requirements imposed by international competition regarding corporate taxation, as direct taxation in many countries is lower than it is in Germany. In the future, non-monetary capital must not be fiscally disadvantaged vis-à-vis financial capital. We want to reduce taxes independent of income and push ahead with the harmonization of taxes within the EU.

Monetary Policy

77. Monetary stability is of crucial importance for maintaining consistent economic growth and as a basis for social justice. Stability serves the interests of both consumers and savers. For a monetary policy to succeed all those involved in economic activity, including both trade unions and management, and central, regional, and local authorities must contribute to maintaining stability.

In Europe, ensuring monetary stability is our common concern. As markets become intertwined, individual currencies and national central banks can no longer ensure stability on their own. A heavily export-dependent country such as Germany needs the stable purchasing power of the European market. We are striving to achieve an economic and monetary union, and the prerequisite for this is adherence to the convergence criteria laid down in the Maastricht Treaty. The criteria for admission to the monetary union make very high demands on the economies of the countries concerned, especially with regard to low inflation rates and budgetary discipline. These criteria must not be altered.

Within the economic and monetary union, the responsibility for monetary matters is transferred to the European Central Bank, which, like the German Bundesbank, is independent and has price stability as its main priority. With the European monetary union we want to create the basis for maintaining monetary stability with a common currency that should have the same degree of stability as the Deutschmark.

Competition Policy

78. Individual freedom and an open society are prerequisites for competition, which itself is the fundament of broad opportunity. We want to guarantee individuals a fair and equal choice, keep markets open, and prevent unfair competition. Wherever the concentration of economic power infringes upon the principle of competition, the range of choices available to the individual is limited and the functioning of the market is impaired. Therefore, the state has to take steps to prevent such a concentration of economic power.

We are in favor of adapting the existing special regulations on competition for the transport, insurance, banking, energy, and supply industries, for employment agencies and the freelance professions, so that they conform to the general rules of competition.

Competition policy has to operate increasingly on a European level. As this happens, it is important not to call into question the principles of competition laid down in the German cartel law. We want EG merger controls to be institutionalized through the creation of an independent European Cartel Office. In addition to merger controls, we consider another element of our policy on competition to be the limiting and removal of state subsidies, the privatization of companies in which the state is a shareholder, and the implementation of a proactive consumer policy backed up by legislation on consumer protection.

Structural Policy

79. For the development of a strong economy in Eastern Germany there is no alternative to the market and further privatization. However, the special situation in that part of Germany means that, in the interests of the people there, it is necessary to pursue an active structural policy for a longer transitional period. The construction of a new and modern infrastructure has priority. We are trying to achieve as broad a degree of privatization as possible across the board. Only by creating companies that are capable of withstanding competitive pressure will we be able to achieve comparable living conditions throughout Germany. To make this change possible and to guarantee the future of industry in Eastern Germany, the state needs to provide support that is comprehensive – but that also decreases over time. In order to revitalize ailing industrial regions and to build up promising ones as centers of growth and development, we aim to prepare enterprises that are capable of reconstruction, but have yet to be privatized, for competition and privatization. The aim of this active structural policy is to give Eastern Germany a broad industrial base that can survive and flourish in the future.

Through a close linking of structural and employment policies, we aim both to bridge and shorten the period between the collapse of old, uneconomic sources of employment and the creation of new jobs capable of withstanding competitive conditions, and at the same time to keep the ensuing social hardship to a minimum. This policy also aims to prevent the local, skilled workforce from moving out of the region, to encourage them to improve their qualifications, and to give them solid prospects of employment in the future.

In Western Germany, there must also be a rigorous program of privatization of publicly owned companies and ones in which the government is a shareholder. The construction and operation of the infrastructure in the fields of transport, public planning, water supply, and wastewater disposal should be privatized as much as possible. Private business operations, controlled through market competition, are the best way to guarantee economic freedom, efficiency, and responsiveness to changing market conditions. Social support is secured by social and employment policy provisions that are designed to ensure comparable living conditions and social assistance. It should not be the result of direct state involvement in business.

Continuous structural change is essential in order to survive international competition. Such change, however, must be left to market forces and properly functioning competition, and cannot be achieved by state regulation of economic activities. The task of structural policy must be to do everything possible to strengthen the ability of companies and their workforces to cope with structural adaptation and to provide social protection where needed. Where sectoral or regional aid becomes necessary to achieve this, then such aid should be of limited duration, should decrease over time, and should be linked to conformity requirements.

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